Example A:

This example shows how the interest rate is calculated for Direct Subsidized and Unsubsidized Loans in repayment. **Treasury bill rate + 3.1% = interest rate**	*If the Treasury bill rate were 4.4 percent, the interest rate would be 7.5 percent because:* **4.4% + 3.1% = 7.5%**	*However, if the Treasury bill rate were 5.6 percent, the interest rate would be 8.25 percent because:* **5.6% + 3.1% = (8.7%) = 8.25%***

**This interest rate is "capped" because the calculated rate is higher than the legally set maximum rate of 8.25 percent for student borrowers.*